

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 TRSE-00 CIAE-00 INR-10  
NSAE-00 SS-15 OES-07 /053 W  
-----061601 270851Z /42  
P 261853Z APR 78  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC PRIORITY 1022  
INFO USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 09067

E.O. 11652: GDS  
TAGS: EEWT, UR, US  
SUBJECT: BUSINESS FACILITATION MEETINGS

REF: STATE 101340 AND PREVIOUS

SUMMARY: BUSINESS FACILITATION MEETINGS IN MOSCOW  
RESUMED APRIL 24 BETWEEN DEPUTY MINISTER OF FOREIGN  
TRADE MANZHULO AND EMBASSY ECONOMIC/COMMERCIAL COUNSELOR  
SKOUG. AMONG MAJOR ITEMS TO EMERGE WERE MANZHULO'S  
ACCEPTANCE OF POINTS MADE IN DEPARTMENT'S NON-PAPER  
HANDLED TO SOVIET CHARGE' VASEV IN WASHINGTON ON APRIL 19.  
ADDITIONALLY, MANZHULO AGREED TO ASSIST E/C COUNSELOR  
AND EMBASSY COMMERCIAL OFFICERS IN ARRANGING MEETINGS  
WITH OTHER DEPUTY MINISTERS OF FOREIGN TRADE TO DISCUSS  
MAJOR PROJECTS, AS APPROPRIATE AND DESIRED. AMONG  
BUSINESS FACILITATION TOPICS COVERED AT MEETING WERE:  
TEMPORARY ACCREDITATION ISSUE; OFFICE  
SPACE FOR U.S. FIRMS; APARTMENT LIVING QUARTERS FOR  
FIRM REPRESENTATIVES; ON-SITE LIVING CONDITIONS FOR U.S.  
SPECIALISTS WORKING PROJECTS IN USSR; SEVERAL PROJECTS  
UNDER NEGOTIATION, AND MARINE CARGO INSURANCE. NEXT  
MEETING SET FOR FIRST HALF OF JULY. END SUMMARY.

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1. ECON/COUNSELOR, ACCOMPANIED BY COMATT AND COMOFF,  
MET FOR NEARLY TWO HOURS WITH DEPUTY MINISTER OF FOREIGN  
TRADE A. N. MANZHULO AT MINISTRY ON APRIL 24. OTHER  
MFT OFFICIALS PRESENT WERE: V. A. RAKHMANIN, CHIEF,  
PROTOCOL ADMINISTRATION; N. V. ZINOVYEV, CHIEF, ADMINIS-  
TRATION FOR TRADE WITH AMERICA AND LATIN AMERICA; A. V.  
MEL'NIKOV, DEPUTY CHIEF (SAME ADMINISTRATION); FNU

SAMARIN, INTERPRETER, AND AN UNIDENTIFIED NOTETAKER. FOR REASONS THAT WERE NOT MADE CLEAR, DEPMIN MANZHULO ARRIVED AT MEETING TEN MINUTES LATE, PERHAPS AS A SIGN OF PIQUE, ALTHOUGH HIS ATTITUDE WAS ONE OF COMPLETE CORDIALITY -- EVEN WARMTH -- THROUGHOUT SESSION. THIS CABLE WILL TOUCH ON HIGHLIGHTS OF MEETING ONLY. DETAILED MEMCON TO FOLLOW.

2. AFTER BRIEF FORMALITIES, ECON/COUNS BEGAN PRESENTATION BY READING TEXT OF NON-PAPER WHICH HAD BEEN HANDED TO SOVIET EMBASSY CHARGE IN WASHINGTON BY EUR DEPUTY ASSISTANT SECRETARY LUERS ON APRIL 19 (REFTEL). MANZHULO RESPONDED BY ACCEPTING IDEA OF THREE BUSINESS FACILITATION MEETINGS IN EACH CAPITAL (ALTHOUGH HE STATED FOR RECORD THAT PLACING EXACT NUMBER OF MEETINGS SEEMED TOO FORMAL TO HIM -- THERE COULD BE TEN MEETINGS A YEAR IF NEEDED, HE CLAIMED). HE ALSO AGREED ON POINT (B) AND, GRUDGINGLY, ON POINT (C) OF NON-PAPER, GROUSING THAT TO SEEK A BALANCE OF BENEFITS WAS TO LIKEN MEETINGS TO SALT NEGOTIATIONS. HE SAID MFT CONSIDERED SUB-PARAGRAPHS IN ECON/COUNSELOR'S STATEMENT AS "YOUR (U.S.) CONSIDERATIONS" AND THAT "WE (SOVIETS) WILL BE GUIDED BY OURS." NONETHELESS, BASIC MESSAGE HE CONVEYED WAS THAT POINTS IN NON-PAPER WERE ACCEPTABLE AS BASIS UPON WHICH TO PROCEED.

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3. FOLLOWING BUSINESS FACILITATION ITEMS WERE THEN DISCUSSED IN ROUGH ORDER SUMMARIZED BRIEFLY BELOW:

(A) TEMPORARY ACCREDITATION. E/C COUNS SAID THAT THERE WERE THREE U.S. FIRMS (ALLIS-CHALMERS, ARMCO STEEL AND SPERRY-UNIVAC) STILL HOLDING TEMPORARY ACCREDITATIONS FOR THEIR OFFICES IN MOSCOW. MANZHULO RESPONDED BY STATING THAT WITHIN VERY NEAR FUTURE, PERHAPS DURING MONTH OF MAY, ALLIS-CHALMERS AND ARMCO WOULD RECEIVE PERMANENT ACCREDITATIONS. SPERRY-UNIVAC WAS ACCREDITED THROUGH STATE COMMITTEE OF SCIENCE AND TECHNOLOGY (SCST) AND THUS NOT UNDER WING OF MFT.

(B) OFFICE SPACE. RUMORS TO EFFECT THAT NO MORE OFFICE SPACE WOULD BE ALLOCATED, NOR WESTERN FIRMS ACCREDITED, UNTIL AFTER 1980 OLYMPICS, WERE FALSE. PROBLEM WAS CRITICAL ONE OF LACK OF SPACE. MANZHULO ACKNOWLEDGED THAT SEVERAL U.S. FIRMS WERE NOT HAPPY WITH OFFICES IN HOTELS. BUT HE HELD OUT LITTLE POSSIBILITY OF RELIEF IN NEAR FUTURE.

(C) APARTMENT SPACE: E/C COUNS LISTED FIVE FIRMS AS STILL IN NEED OF APARTMENTS FOR THEIR MOSCOW STAFF:

INTERNATIONAL-HARVESTER, ENGLEHARD MINERALS AND CHEMICALS, ARTHUR ANDERSON, COOPER INDUSTRIES, AND ARMCO STEEL (FOR SENIOR REP, UNLIKE OTHERS WHICH RELATE TO DEPUTY REPS). MANZHULO SAID THAT HE WAS PARTICULARLY UNHAPPY ABOUT APARTMENT SITUATION, AND ESPECIALLY ABOUT FACT THAT I-H WAS CONTINUING TO HAVE TROUBLE. HE HAD LEARNED TO DRIVE HIS FIRST TRACTOR ON AN I-H MACHINE. HE ASKED RAKHMANIN TO SEE WHAT COULD BE DONE FOR I-H, PARTICULARLY.

(D) ON-SITE CONSTRUCTION PROJECTS: E/C COUNS SAID THAT

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-----066913 270850Z /11

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 1023

INFO USDOC WASHDC

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EMBASSY HAD DEVELOPED, IN COOPERATION WITH SEVERAL MOSCOW-BASED FIRMS HAVING EXPERIENCE INSTALLING PROJECTS IN USSR, MODEL CONTRACT CLAUSES TO COVER ON-SITE LIVING CONDITIONS IN USSR. HE HANDED MANZHULO TWO COPIES OF FOURTH REVISED DRAFT (WHICH INCORPORATED USDOC/BEWT SUGGESTED ADDITIONS/DELETIONS) OF CONTRACT CLAUSES. AFTER SOME DISCUSSION ABOUT NEED FOR SUCH CLAUSES, MANZHULO AGREED TO ACCEPT COPIES OF DRAFT CONTRACT PROVISIONS AND TO PASS COPIES OF THEM TO ALL APPROPRIATE FTO'S. E/C COUNS OUTLINED PROBLEMS WE HAD BEEN HAVING RECENTLY WITH PERSONNEL ON-SITE AND MANZHULO SUGGESTED THAT HE MEET AGAIN IN TEN DAYS (AROUND MAY 8) WITH PROTOCOL CHIEF RAKHMANIN TO DISCUSS ON-SITE PROBLEMS IN DETAIL.

(E) MAJOR PROJECTS: E/C COUNSELOR MENTIONED SEVERAL LARGE SOVIET PROJECTS ON WHICH U.S. FIRMS WERE BIDDING AND EXPRESSED HOPE THAT THEIR PROPOSALS WERE RECEIVING POSITIVE CONSIDERATION. BRIEFLY, THE PROJECTS WERE: SAYANSK ALUMINUM SMELTER (ALCOA BIDDING); NEW AUTOMOBILE

TO REPLACE SOVIET-MADE "MOSKVITCH" (SEVERAL U.S. AUTO-MAKERS DISCUSSING); NOVOLIPETSK DYNAMO STEEL PLANT (ARMCO IS BIDDING WITH JAPANESE PARTNERS). INDIVIDUAL U.S. FIRMS HAVING COMMERCIAL PROPOSALS OF THEIR OWN IN USSR WERE ALSO CONFIDENTIAL

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MENTIONED IN POSITIVE LIGHT: ENVIROTECH CORPORATION (DESIROUS OF DISCUSSING SLUDGE CONTROL EQUIPMENT AND PROCESS WITH MOSSOVIET AND OTHERS); CORNING GLASS (AN OLD PROJECT TO SUPPLY PRODUCTION EQUIPMENT FOR COLOR TV TUBES AND GLASS). UPON LEARNING THAT WE HAD ENCOUNTERED DIFFICULTY IN ARRANGING MEETING TO DISCUSS ENVIROTECH PROPOSAL WITH SENIOR OFFICIAL IN MFT, MANZHULO PICKED UP PHONE AND ARRANGED MEETING FOR FOLLOWING DAY.

(F) MEETINGS WITH OTHER DEPUTY MINISTERS: MANZHULO SAID THAT PERHAPS THESE BUSINESS FACILITATION MEETINGS SHOULD BE KEPT TO MATTERS OF GENERAL NATURE. HE WOULD, HOWEVER, BE PLEASED TO ASSIST E/C COUNS IN ARRANGING MEETINGS WITH OTHER APPROPRIATE MFT DEPUTY MINISTERS TO DISCUSS SPECIFIC PROJECTS. IN FACT, MANZHULO SAID THAT IF SUCH MEETINGS TOOK PLACE BETWEEN SCHEDULED BUSINESS FACILITATION SESSIONS, THEN PART OF AGENDA DURING LATTER GATHERINGS COULD BE TAKEN UP WITH STATUS REPORTS ON PROJECTS OF INTEREST GLEANED BY HIS STAFF FROM OTHER MFT DEPARTMENTS BEFOREHAND.

(G) MARING CARGO INSURANCE: ECON/COUNS RAISED STATUS OF THIS MATTER WITH ZINOVYEV IN MANZHULO'S BRIEF ABSENCE FROM TABLE AND ZINOVYEV'S COMMENTS ARE REPORTED SEPTEL.

(H) NEXT MEETING: MANZHULO SUGGESTED THAT WE SCHEDULE NEXT BUSINESS FACILITATION MEETING FOR FIRST HALF OF JULY, BEFORE HIS SUMMER HOLIDAY. WE AGREED TO THAT TIMING.

4. DETAILED MEMCON FOLLOWS. TOON

NOTE BY OC/T: MESSAGE DELAYED IN TRANSMISSION.  
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## Message Attributes

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